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ARGENTINA: SIX MONTHS OF MILITARY GOVERNMENT

Summary

In the six months since the March 24 coup, Argentina's military junta has achieved significant successes in reviving the economy and curbing political violence. Attendant human rights abuses, however, have sparked sharp domestic and foreign criticism.

Economically, the inflation rate has been reduced, massive unemployment avoided, an external payments crisis alleviated, and agricultural production stimulated. While economic prospects have improved, problems remain, particularly because of failure to control the fiscal deficit and increasing uneasiness in the labor sector.

Effective steps have been taken to control leftist terrorism. The People's Revolutionary Army (ERP) has been significantly weakened, and the Montoneros are under heavy pressure from the security forces.

The battle against the left has been accompanied by intensified right-wing violence and massive human rights violations. Right-wing vigilante groups, most frequently composed of off-duty security personnel, operate with an impunity that testifies to the complicity of high-level government and security officials. President Videla probably disapproves of the actions of rightist fanatics, but corrective measures are unlikely until the security forces believe that the leftist threat has been contained.

The human rights situation is placing a strain on US-Argentine relations. If the abuses

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continue, Argentina faces a possible termination of US aid programs. The immediate economic impact of an aid cutoff would impose no great burden on Argentina, but the political implications of US condemnation would be deeply resented. Retaliation against US economic interests in the event of an aid cutoff is unlikely.

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Since assuming power on March 24, Argentina's ruling military junta has achieved notable success in halting economic decline and controlling left-wing terrorism. Significant economic problems remain, however, and the proliferation of human rights abuses is undermining the junta's image at home and abroad.

Economic Recovery

The pattern of accelerating economic decline has been arrested through measures implemented under the careful guidance of Economy Minister Martinez de Hoz. He has rejected Peronist economic policies that concentrated on distribution rather than production of wealth and rapidly expanded the public sector. Those policies produced a massive fiscal deficit that fueled inflation and its attendant evils. In March, the consumer price index (CPI) increased at an annual rate of more than 560 percent, and the trend was rising.

By contrast, Martinez de Hoz has sought development of a more free-enterprise, market-oriented economy. Emphasis is being placed on an export-oriented growth strategy keyed to the rapid expansion of agricultural exports. Other key objectives include reduction of the fiscal deficit, rationalization of public sector activities, and expansion of domestic and foreign private investment.

Given the strong support of his military bosses and almost universal recognition of the need for severe corrective measures, Martinez de Hoz has implemented his program without significant opposition and has achieved impressive results.

--Inflation has slowed dramatically. The CPI rose only 5.5 percent in August, compared with 38 percent in March and 34.6 percent in April. The bold stroke of freeing prices while holding down wages has worked better than most expected.

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- Unemployment has not risen sharply. Real wages have declined markedly (at least 50 percent since January), and recession has hit the industrial sector with the drop in consumer demand. Nonetheless, unemployment has been held at about 6 percent as industrial employers have responded to the government's request that payrolls be maintained by whatever means necessary.
- A severe external payments crunch has been alleviated through the acquisition of over \$1 billion in loans from the IMF and private banks in the US, Canada, and Western Europe.
- The exchange rate has been stabilized, and foreign exchange reserves have been replenished after reaching dangerously low levels in March.
- Projections for agricultural exports have been optimistic, reflecting the farmers' response to government guarantees of remunerative prices and credit availability. Despite some drought damage, wheat production may still be the highest in a decade, and meat exports may double last year's figures. Government officials believe that a trade surplus of \$800-900 million is possible this year; a welcome change from 1975's billion-dollar deficit.

These accomplishments have brightened Argentina's economic outlook, but some serious problems remain.

- The inflation rate, while down dramatically from March-April levels, has been rising slowly since June.
- Efforts to curb the fiscal deficit, the chief source of inflationary pressure, have not been notably successful. Currency emissions to cover the budget deficit and debt amortization fell from a record 53.9 billion pesos in March to 10.6 billion in April, but were back up to 50.3 billion pesos in July. An incredibly over-staffed public bureaucracy accounts for a substantial portion of the deficit, but despite government promises of a cutback, the public payroll actually increased by a few hundred in the second quarter of this year.
- Short-term prospects for attracting new foreign investment and securing the return of Argentine flight capital

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are not bright. Continuing political violence combined with the country's record of political instability will make prospective investors hesitate in spite of the recent adoption of new foreign investment legislation and the opening of Argentina's oil industry to wider foreign participation.

Labor's Role

Potential labor opposition poses a critical threat to Martinez de Hoz's economic strategy. Since Juan Peron's rise to power in the mid-1940's, organized labor has been the nation's most cohesive and powerful civilian political force. After the March 24 coup, military authorities intervened and assumed control of the national labor confederation, the CGT, and its most influential affiliate unions. Strikes and other union activities were banned, and many Peronist labor bosses were jailed, fled into exile, or simply disappeared.

Demoralized by the Peronist economic debacle and immobilized by the intervention and decapitation of their unions, workers have remained quiescent since the coup. They have acquiesced in the government's austerity program and the consequent drop in real wages, apparently viewing the sacrifice as necessary to economic recovery and probably fearing that opposition would provoke more repressive military measures.

The danger lies in the possibility that preliminary signs of economic recovery will stir worker impatience and encourage wage demands that, if permitted, would vitiate both the economic and psychological effects of current anti-inflationary measures. Strikes by automobile workers in response to the meager 12-percent pay hike announced September 1 and pressures from union leaders to speed up union "normalization" reflect a restlessness within the labor sector that could erupt violently if ignored or simply repressed.

Faced with a potentially explosive situation, the Videla government must choose between two strategies that are based on differing interpretations of Argentina's past.

--Those supporting strict enforcement of Martinez de Hoz's plan will argue that the Peronist experience demonstrates

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that an austerity program is essential to recovery. Similar attempts have failed in the past, they will maintain, because governments have lacked the will to enforce them. Union power must be circumscribed and workers forced to accept policies designed to promote national rather than sectoral interests.

--Others will insist that while austerity may be good economics, its political and social consequences are unacceptable given the power of organized labor. Advocates of this line acknowledge the wisdom of Martinez de Hoz's general economic approach and the need to curb labor's political clout. Nonetheless, they insist that labor's power must be recognized through wage concessions to the hardest hit workers and a cooperative government attitude toward the unions. They point out that a refusal to work with Peronists in the labor movement could open the door to increased leftist influence among workers.

Powerful military figures disagree on this issue. The army corps commanders along with important naval elements advocate a hard-line approach to the unions, while Labor Minister Gen. Horacio Liendo and Gen. Roberto Viola, Chief of the Army General Staff and key adviser to President Videla, urge a more moderate or so-called populist attitude. Presumably, Videla would prefer to delay decisive action on labor reorganization until economic recovery is ensured and terrorist violence is controlled. However, pressures from within union circles may force government action somewhat sooner.

Battling Terrorism

Government energies and resources not directed toward economic recovery have been consumed in efforts to eradicate leftist terrorism. In this case also, notable progress has been made, particularly against the People's Revolutionary Army. ERP founder and chieftain Roberto Santucho was killed in mid-July, as were several other top ERP commanders. Government claims that the organization has been totally dismembered may be premature, but its capabilities have been reduced, its leadership decimated, and its remnants left in a disorganized and defensive posture. Within ERP ranks, consideration has been given to amalgamation with the Montoneros, the other major left-wing organization, but thus far the groups have maintained separate identities.



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The Montoneros also have been placed on the defensive by the onslaught of the security forces. They have sustained heavy losses of personnel and supplies and have not been able to mount an operation on the scale of their past attacks against military facilities. The Montoneros remain, nonetheless, a formidable enemy. They are much more numerous than the ERP and enjoy at least the passive support of thousands of sympathizers who identify with the Peronist left. Even if the security forces maintain their current rate of success against the Montoneros, the violence and bloodshed will continue for several months.

Counterterrorism and Human Rights

The most spectacular aspect of the counterterrorist drive has been the murderous exploits of extralegal, right-wing goon squads. Operating with impunity and usually posing as security officials, the rightwingers are responsible for abducting and/or murdering hundreds of "leftist security risks," including political exiles from neighboring countries, foreign nationals, politicians, students, journalists, and priests. A few actual terrorists probably have fallen prey to rightist vengeance, but the great majority of the victims have not been guerrillas.

During August and September, violent anti-Semitism added a new twist to right-wing fanaticism. Pro-Nazi literature has been printed and sold publicly since the coup, and since early August a number of synagogues and Jewish businesses, schools, and cultural centers have been machinegunned or bombed.

Anti-Semitism is a well-established phenomenon in Argentina, but its manifestations are seldom so blatant or violent. Anti-Semites apparently calculate that they will be permitted to act with the same impunity enjoyed thus far by right-wing counterterrorists. On September 13, after strong pressure from the nation's Jewish community, the government closed down the main pro-Nazi publishing house and banned several of its publications. During the following two weeks, anti-Semitic violence declined sharply, as pro-Nazi types apparently interpreted the publication ban as an indication of government displeasure with their activities.

Official Complicity

There is no doubt that most, if not all, of the right-wing terrorists are police or military personnel who act

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with the knowledge and/or direction of high-level security and administration officials. President Videla, in public statements since the coup, has consistently recognized the need to curb human rights violations and tried to create an image free of the excesses that have tarnished the Chilean junta. The impact of his protestations has been vitiated, however, by his failure to control the counter-terrorists. They continue to act with an impunity that belies government denials of complicity.

Some observers argue that Videla's moderate, "good guy" pose is all part of a clever scenario worked out before the coup. According to this theory, Videla is in full control of matters and privately supports the murderous tactics of the rightwingers. He will permit them to go unchecked until the level of domestic and international criticism becomes unacceptable, at which time he will rein in the troops in a highly visible fashion that will win plaudits at home and abroad.

Despite a certain logical appeal, this theory rests on two questionable assumptions:

- that Videla is sufficiently Machiavellian and devious to have conceived the plan or acquiesced in its implementation; and
- that Videla heads a tightly unified military establishment that he can manipulate at will.

The government's failure to move against right-wing fanatics is better explained by the following circumstances:

- Right-wing excesses did not originate with the Videla takeover but were a legacy of the Peronist period, when security personnel and conservative labor elements operated in a similar, if less publicized, manner.
 - Videla and others who probably oppose the abuses fear that a severe crackdown on the illegal activities of security personnel would dampen their morale and undermine the battle against subversives. The near-rebellion that greeted a Federal Police Chief who tried to halt abuses last July added weight to these fears.
 - Coordinating and thereby controlling the actions of the many official units engaged in counterterrorist activities is a difficult task at best.
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These factors do not absolve Videla of ultimate responsibility for the abuses. However, they point out the problems he faces in correcting the situation and suggest that the excesses are likely to continue until:

--the security forces have reduced the subversive threat to what they consider to be an acceptable level; and

--Videla feels sufficiently secure and strong in the presidency to assert his authority over free-lancing subordinates.

Mounting Criticism

The junta has paid a heavy political price for the deteriorating human rights situation. On March 24, after the final futile months of the Peron administration, military rule was welcomed by many and accepted by nearly all Argentines as a necessary step to restore order and prosperity. No previous Argentine military government had assumed power with a comparable store of domestic and international political credibility. Much of that advantage has been wasted.

At home, the government has been openly criticized by important individuals and organizations, not for the tactics being employed against the left but for the implicit encouragement being given to the right. The Delegation of Argentine-Israeli Associations, the Catholic Church, the Permanent Assembly for Human Rights (political and religious figures), the Lawyers Association, and the press have all registered expressions of grave concern. The government's popular support base has clearly diminished, and the human rights issue is available to potential anti-government elements as a standard around which to rally groups that might have little else in common.

Internationally, the Argentine Government has been relatively fortunate in that it has thus far escaped the kind of sustained and intense condemnation aimed at Chile. Several governments have protested maltreatment of their nationals. The West European socialists have leveled a blast at the Videla government, and the international press has reported critically on developments. Nevertheless, if action is taken to halt human rights abuses, Argentina might still avoid becoming an international pariah and prevent the attendant loss of prestige, aid, and investment.

The Videla government is undoubtedly aware of the domestic and international implications of prolonging the current human rights situation. However, if its past actions

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and attitudes are any indicator, the timing of corrective measures will be dictated less by domestic and foreign pressures than by the success or failure of the government's "war" on the left.

Implications for the US

In the months immediately following the March coup, the junta's efforts to restore order and prosperity were welcomed and encouraged by US officials, particularly in light of the government's promises to respect human rights. Economy Minister Martinez de Hoz's visit to the US in June in search of financial support elicited highly positive responses from both government and private banking circles, responses that strengthened the Economy Minister's hand when he sought additional aid in Canada and Western Europe.

Presently, however, US assistance, financial and moral, public and private, is imperiled by the government's poor human rights record. The Harkin Amendment compels the US to vote negatively on Argentine loan applications to the Inter-American Development Bank (IDB) if it is officially determined that human rights are being violated in Argentina within the definition of the amendment. Consideration may likewise have to be given to terminating US military assistance.

US aid cutoffs would not pose an immediate financial burden on Argentina.

--Applications for IDB loans will be approved despite a US negative vote because the Latins, without exception, insist that approval should be determined by technical rather than political criteria.

--US military assistance to Argentina (\$34 million in FMS credits and \$314,000 for training in FY 1976) is convenient but not indispensable in the Argentines' view.

In short, the direct economic penalties resulting from the termination of US aid would not be severe enough to alter the practices of the Argentine Government if its leaders have decided that the demands of the war on the left preclude curbing the abuses of the right.

If the Argentines were to view a US aid cutoff in a longer range perspective and see it as possibly the first

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step in a gradual disappearance of public and private aid sources on a worldwide scale, they might be tempted to reconsider their human rights practices in the interest of avoiding the kind of treatment visited on Chile in recent years. For example, Argentina would be seriously hurt if its human rights record became such a political issue in Western Europe that crucially important suppliers' credits were limited or denied.

A number of West European nations may view large suppliers' credits as an official seal of approval, and, as in the case of Chile after 1973, governments under international and/or domestic pressure might be reluctant to approve such credits. Argentina's position is enhanced by the fact that West European investment and trade interests are greater there than in Chile. Nonetheless, a denial of suppliers' credits would be a possibility if the human rights situation continues to deteriorate at its present pace. Argentine leaders are undoubtedly aware of such potential consequences, but they probably calculate that they can clear up the terrorist problem rapidly enough to avoid the liabilities of international economic isolation.

The Argentines would probably consider the political rather than the economic impact of a US aid cutoff as more damaging. In effect, it would affix the US Government seal of approval on criticisms being leveled at the junta at home and abroad, and place Argentina in the same category as Chile on the human rights score. This would be particularly galling to Argentine military officers who see themselves as pro-Western, anti-communist stalwarts engaged in a struggle that merits US support, not condemnation.

Although unhappy, the Argentines would not be apt to retaliate against an aid cutoff beyond introducing a certain coolness into bilateral relations. Steps against US economic interests (direct investment--\$1.1 billion; credit exposure--\$2.7 billion) would be unlikely since they would endanger the country's economic recovery program.

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